

A message from Empaxis CEO Stephen Van de Wetering

To say the financial industry is a bit behind the times in technology adoption is stating the obvious. We know it, you know it and your clients know it. We can attribute the slow adoption of new technology to several factors:

Cost barriers — Small and midsize investment firms don't have big IT departments and budgets to develop web applications like the Charles Schwabs, JP Morgan Chases and Edward Joneses of the world do.

Cybersecurity — There is a long-held belief (we might even call it a myth) that information is safest when it is stored on your own internal servers and managed by downloaded software applications.

Change is hard — Your firm is set in its ways, and you have done fairly well up to this point. Some will say, "This is the way things have always been done" and "We've made it this far without new systems, so why change?" The reality is technology is changing the rules of how the game was once played, and tech-savvy clients, especially among the younger generations, will demand your firm adapt with the times.

This ebook will provide background on the changes in financial technology and the subsequent trends taking place, and it will help you understand how Empaxis came to develop, for small to midsize firms like yours, the TAMP1 platform — a web-based solution for wealth managers, asset managers, family offices, and hedge funds.

Empaxis has created a cloud-based platform for investment management firms like yours — small to midsize firms — that has all the bells and whistles that your enterprise-level big-name competitors use. TAMP1 is a turnkey asset management platform that includes a portfolio accounting system, CRM system, performance reporting system, and a client and advisor portal.

We'd love to show you a demo, customized and tailored to your firm's unique requirements, so you can see for yourself how user-friendly and simple our advisor and client portals are. If you have questions that we haven't answered in this ebook, let us know. We want to hear from you.

A handwritten signature in black ink, reading "S. Van de Wetering". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Technology trends in financial services and business at large



In this section, we first take a look at how technology has affected the way we do business as a society — companies that adapt to the demands of their customers thrive, while those that don't get left behind. We've got two examples from the travel and media industries from which we in the financial industry can learn. The second part of this section looks at technology and outsourcing trends in investment management, ultimately paving the way for TAMP-based solutions.

The trend in technology is self-service

The financial industry is long overdue for a technology overhaul. Just as we have watched organizations in other industries thrive or get left behind as technology changed the way they do business with their customers, we have seen financial organizations that have failed to adapt, thus falling way behind their agile, more nimble competitors.

Take a look at two examples from other industries — travel and mass media — that have adapted to 21st-century technology.

Travel industry — Consumers have become savvy DIY travel planners thanks to web-based technology, smartphone apps and self-service kiosks. The [Bureau of Labor and Statistics predicts an 11.6% decline in travel agents](#) from 2016 to 2026, but at the same time, the US Travel Association predicts a 3% to 5% annual increase in domestic travel spending. Consumers aren't spending less on travel. They're using technology to self-serve travel, which is evident by the decrease in travel agent jobs and the increase in big-name self-serve sites like Expedia, Travelocity, Kayak and Orbitz, in addition to individual airline, hotel, cruise, car rental and other travel brands that let customers make their own reservations online.

What investment organizations can learn from the travel industry

— Our clients want self-serve options for monitoring and managing their lives 24 hours a day, 365 days a year. Investment management firms that don't offer digital, mobile-friendly options to their clients will risk losing business to the big-name competitors that offer web-based portals, mobile apps, and sophisticated reporting capabilities.

Mass media — Newspapers, magazines and traditional media have seen an enormous shift in the way their audiences consume content. Paid circulation of daily newspapers has been on a steady decline since the mid-1980s, according to [Pew Research Center](#). In 1984, there were more than 64 million daily newspaper

subscribers — a record high. By 2018, there were less than 30 million. However, our thirst for information has only grown and expanded through multiple channels: social media, news websites, online magazines, smartphone apps, email newsletters.

What investment organizations can learn from the media industry — Failure to future-proof your business will leave you behind. Case in point: Netflix versus Blockbuster. Netflix expertly disrupted the at-home video rental business and continues to adapt as technology and regulations grow. Blockbuster? Last we checked, [there was only one left, in Bend, Oregon](#).

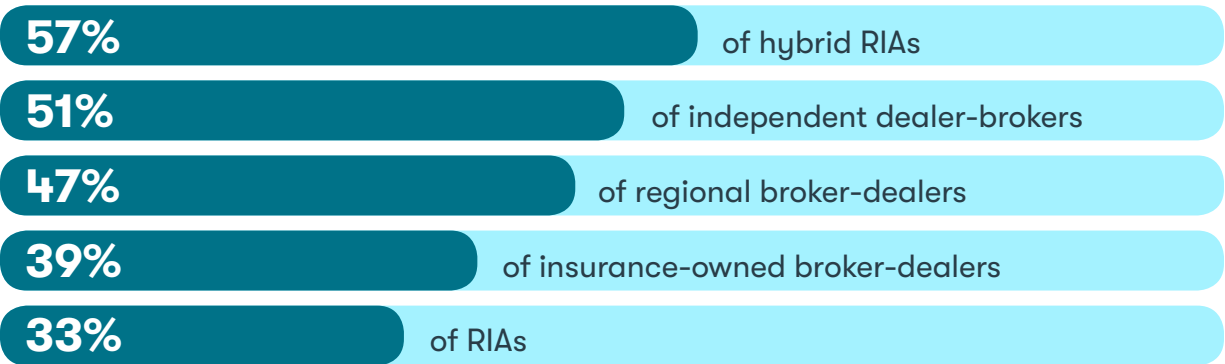
The trend in investment management is outsourcing

Fintech company [FlexShares’ annual research on investment management trends](#) found that a majority of advisory firms are turning to TAMPs as external managers. The survey also found an increasing number of firms that are outsourcing external management functions, which the table below illustrates.

	2014	2016	2018
Use of external management	40%	41%	43%
Satisfaction with external management solutions	90%	96%	97%

Source: FlexShares “The Race to Scalability 2018,” p. 3

Who is adopting third-party investment management solutions? The same FlexShares survey found:



Interestingly, the FlexShares data that suggests that when firms adopt more efficient technology, they spend less time on investment-related activities. Respondents averaged 25 hours per week on investment-related activities, [compared with 28 hours a year prior](#).

Big four accounting firm KPMG, in its annual “[State of the outsourcing, shared services, and operations industry](#)” report in 2018, said 61% of firms intend to increase outsourcing their services (of those, 23% said they plan to significantly increase outsourcing). The trend in fintech is going digital.

An increasing number of firms are moving away from client-server software and toward cloud-based digital advice platforms. Among those who migrate to digital solutions, 76% say they’re satisfied, according to FlexShares’ survey.

Why are they satisfied? Well, technology can help firms grow their businesses, improve their own bottom lines and compete with larger firms.

Other findings from the survey (respondents could choose multiple factors):

65% said technology helps them attract clients in new segments, especially younger investors and those with lower assets



51% say technology helps these firms increase their range of services



48% say it helps them remain competitive in the wealth management market



42% reduced costs of managing client portfolios



Source: Pew Research

The trend in digital is shifting more toward mobile

Another shift we've seen when we talk about shifting trends in financial management technology is less use of the phrase "mobile-friendly" and more use of the phrase "mobile-first." As wealth is passed through to the younger generations, the demand for omnichannel user experience increases. Millennials don't get all the credit; Gen X and baby boomers, who may not be digital natives, are increasingly shifting to mobile devices.

% of adults **18-34** who own smartphones



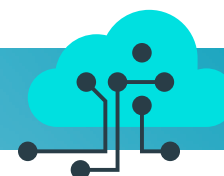
% of adults **50+** who own smartphones



That's just device ownership. When it comes to mobile device usage, 2019 was a landmark year. For the first time, average daily screen time per person on mobile devices passed screen time on televisions, according to eMarketer. The interactiveness of mobile platforms is powerful. It helps your clients feel more involved in the process of managing their assets, which increases transparency and accountability. [That builds trust.](#)



Client-server software vs TAMP



Client-server software

Client-server software is best understood as follows: The only way you can access the software, say for portfolio accounting, is if you are physically present at the computer where the application is stored, unless you had remote access. Otherwise, that means you cannot access the software from your laptop while you're at home or at Starbucks.

Client-server software is downloaded and installed on servers inside the walls of your firm's physical location. It has two "tiers," so to speak — the server and the client. The server is where information is stored. "Client" in this case refers to the software program used to access the data, which can be confusing because you as the investment manager would refer to the individuals or institutions whom you manage money for as "clients."

TAMP — turnkey asset management platform

A **turnkey asset management platform** is web-based, meaning you do not download and install anything. You and your clients log in through a secure portal, and unlike client-server software, you can access the platform from anywhere. Your team can easily monitor all transactional activity in real time and generate reports as needed. Likewise, your clients (the humans) can access the web-based system as well, which provides a dashboard overview of all their investments in real time.

	Client-server software	Web-based TAMP
Architecture	Two-tier	Multi-tier
Access	User interface login (click to launch the program)	Web-based browser (click to launch a URL)
Installation	Software download on every users' computer	No installation required
Performance	Subject to the limited size of the server, users' computers, and requests for information	Supports multiple users at one time without slowing down performance
Hardware requirements	Subject to device compatibility	Eliminates compatibility issues; accessible from any internet-connected device

Perhaps an example from the consumer industry can best illustrate the difference between client-server software (SaaS) and web-based platforms as a service (PaaS).

In the early days of online computing, you were probably one of the millions who received free disks to install the email client America Online (AOL), right? To use AOL, you'd click an icon on your desktop or program folder to launch it. Then it would connect to a server through your slow-as-molasses dial-up modem, access your email and connect you to the web. That's the two-tier client-server architecture at work.


Then along came multi-tier web-based email clients Gmail, Yahoo and others — and AOL's technology was quickly rendered obsolete. Without getting too technical into software engineering jargon, the multi-tier refers to the location of the components of the program. The presentation, application and data management all live in physically separate locations.


Is a TAMP better for wealth and asset managers?

Investment management firms come to us with the pain points listed in the bullets below.


When addressing these pain points, how do client-server software and TAMP solutions stack up?


“Our portfolio accounting software is outdated.”

 **Client-server software** — The burden of responsibility lies on you to purchase updated versions of the software or find a new solution that addresses your needs.

 **TAMP solution** — The cloud-based platform you're using is automatically updated behind the scenes, requiring no effort on your part.


“The data we get from our software is not reliable.”


 **Client-server software** — As it relates to outdated and improperly maintained software, data comes in inaccurate or missing, which requires additional effort on your part to double check quality and locate missing data points.

 **TAMP solution** — Data management is already part of the solution. The platform is well-maintained, data quality is accounted for and ensured


through a rigorous set of quality control checks and automated processes, reducing the impact caused by human error.


“We’re a new, small firm and aren’t sure what technology to adopt.”

 **Client-server software** — There is a heavy investment in time and cost to set up an infrastructure to support locally installed systems, and your new team may lack the capacity and expertise to do.

 **TAMP solution** — Using a TAMP as your firm gets off the ground puts you in a position to remain agile and adaptive to change, not burdened by the time and costs to maintain locally installed software and servers that your competitors are dealing with. The maintenance and upgrades will always be done for you.

“We don’t have a web portal, and our clients, millennials in particular, demand access to their investment details anytime, anywhere.”

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How a TAMP can protect against external threats to your business

When doing business, the fact that challenges will arise is unavoidable. Investment companies are not alone in this struggle.

Cerulli’s [2019 global markets report](#) summary points out that decision makers in the asset management industry are under pressure from a number of angles:

- Increased regulations and compliance
- Fee compression
- Low yields
- Economic uncertainty

While the fact that these challenges exist is out of your control, what you can control is how you react to those challenges.

And while a TAMP cannot stop these aforementioned pressures from taking place, a TAMP can at least put investment firms in a better position to deal with the external challenges that are occurring.

With increased regulations and compliance, a TAMP plays its part by making it easier to access reports and data points that are necessary for submitting compliance reports to relevant entities, and making investment information more accessible to clients promotes transparency that regulators are always looking for.

Fee compression and lower yields can hurt, and while a TAMP cannot eliminate these phenomena per se, a TAMP can limit the negative effects of it. Turnkey asset management platforms can streamline the management of their clients' investment portfolios, making it easier to access quality data and reports in real time. Time is money, and with accurate information at hand, wise and prudent investment choices for the client can be made in a shorter window of time, generating revenue for the organization more efficiently. No longer will they waste time and resources hunting down data from multiple systems to put in a spreadsheet, and then do a lengthy quality control check of that data.

While a TAMP can't prevent economic uncertainty, such a web-based platform provides the security in knowing that system maintenance and upgrades will always be taken care of by the TAMP solutions provider, in addition to the certainty of better data quality to work with. And by having accurate information at hand in real time, you can have proper analysis and assessment of a situation when investments may be affected by economic uncertainty.

The next section looks at three advantages of a TAMP that are hard to quantify, but may be the most important considerations as you explore your options.



3 additional benefits of a TAMP



There are three key reasons that are hard to put a value on when a firm adopts a TAMP and shifts away from older, less effective software. They have to do with time management and scalability, which we'll get into next.

① Spend less time on operations-related work

A TAMP allows you to eliminate manual processes associated with data imports and report generation. Historically, those duties may have belonged to your operations associates or junior staff and were subject to quality checks and human error. Furthermore, many of your business functions can be managed in a single platform. With TAMP1, for instance, it functions as a digital warehouse where data points from various custodians and systems are accessed in one place, and from there, that data feeds into the portfolio accounting, performance reporting, and customer relationship management areas of TAMP1.

② Spend more time on higher-value tasks

As you and your team spend less time on operations-related tasks, that can free up capacity to focus more on revenue-generating activities, like business development, researching and investing.

It may also free up time that can be spent with clients. In financial management, your relationships with your clients are important in ways that few other professions would understand. When an individual, a family or institution turns over its portfolio of assets to you to manage, they are entrusting you with the financial future of many. Being available for them when they need your help makes a big impression and reinforces the trust they've built with you, ultimately ensuring their wealth and assets (and the management fees that go along with it) stay with you.

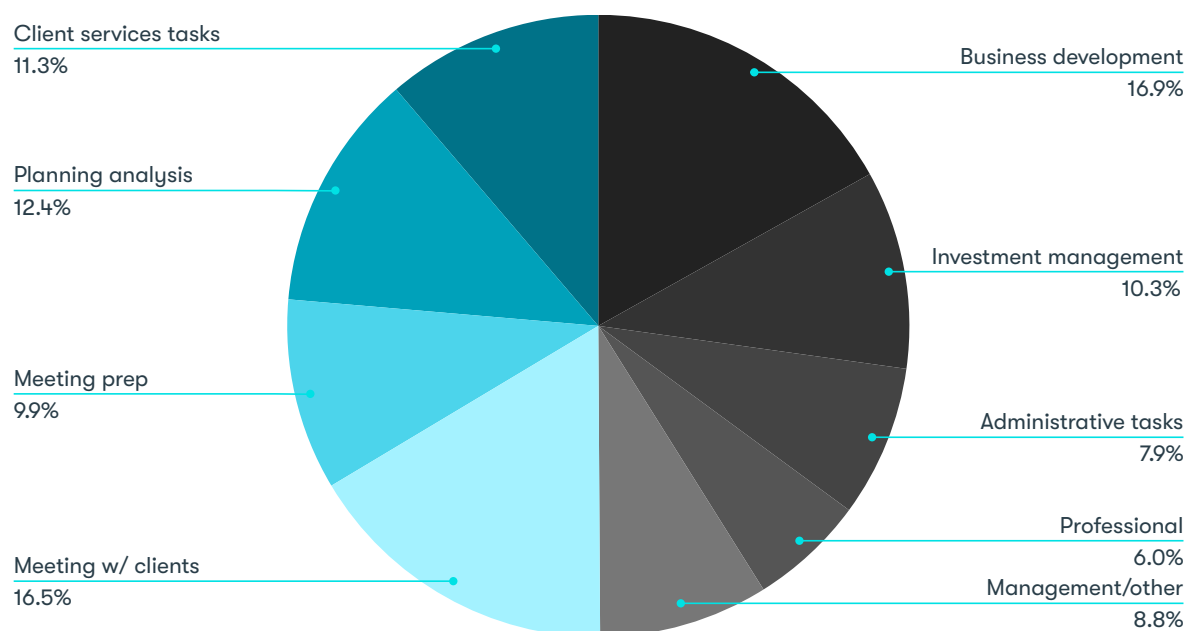
One survey looked at a typical "life in the week of a financial advisor," and it provided a breakdown of how advisors spend their time each week. Whether or not this breakdown reflects how you spend your time each week, it at least encourages you to think about how your time is being managed.

Reducing the number of administrative tasks where a TAMP can assist, even by as little as 30 minutes each day, allows for 2.5 free hours each week.

With reliable and accurate data to work with from a TAMP, that can result in less time for meeting preparation and planning analysis. Twenty minutes here, 30 minutes there, and soon you're talking about a not insignificant amount of time over the course of weeks, months, years.

Small increases in time spent with clients, business development or investment management itself can go a long way. Think about how you are currently allocating your time and see where a solution like a TAMP can help you focus more on those higher level tasks.

How do financial managers spend their time?



Source: Kitces.com [“How does a lead financial advisor spend their time?”](#)

③ Your TAMP scales as you grow

Our TAMP1 solution was built to grow as our small to midsize clients grow their businesses.

Data warehouse vs portfolio accounting system — TAMP1 is a data warehouse without the limitations of a portfolio accounting system. A data warehouse has no limitations, which is a benefit for your business.

Modular design — The fully integrated cloud platform is easy to use and its modular design allows clients to customize their administrative and client-facing user experiences to suit their needs.

Integrations — A platform as a service is only as good as the number of integrations it has. TAMP1’s design integrates diverse data from a variety of sources, so it can scale as you need it.

Agile innovation — The TAMP1 platform supports client centricity, so it reduces your operating costs, accelerates time to market and adjusts to your clients’ needs on demand.

Why it's time to move to a TAMP



Your legacy software has run its course

Have you had issues with your software lately? Out-of-the-box software programs have been “good enough” until now ... but are they? Really? In a post on the Empaxis blog called [“The ugly side of legacy systems,”](#) we cited three reasons that your portfolio accounting software won't get any better:

- 1 They're just not that into you.** — Not only is your small operation not a priority for the software developer, but neither is the program you're using. They've got other programs and bigger customers to focus on.
- 2 They have limited resources, too.** — Your software provider knows their program has glitches and limitations, but their backlog is a mile long, and they don't have the resources to address every bug and feature request.
- 3 They have you where they want you.** — Software companies know how hard it is to change platforms. There are integration, compatibility and data mapping issues ... and they like it just that way, so you remain stuck with them.

Those of us in the platform-as-a-service business cut our teeth in software development. We at Empaxis and TAMP1 took what we learned about the ugly side of legacy systems and addressed those issues in our platform.

TAMP1 is specifically designed with small to medium-size firms in mind. We know how demanding your clients are. They want the same seamless user experience with their investments that they get when they do anything online — banking, shopping, watching movies, sharing content and reading news.

We get it.

Employees will want it

Workplace technology is important to today's workers. One survey found that 80% of millennials said workplace tech influences whether or not they take a job. Younger

workforces gravitate toward organizations that are up to date on technology, tools and processes.

Legacy systems make it harder to recruit, hire and retain younger workers. When you upgrade your technology and facilitate on-the-job learning, you will attract and retain better talent. And when the job market is tight, like it has been the last few years, firms are competing harder for talent.

What's more, team members who would rather work on higher value tasks would prefer a TAMP system because a TAMP can handle those manual, mundane, and time-consuming aspects of portfolio accounting for them. Don't let your legacy software be a competitive disadvantage to hiring and growing your firm.



TAMP1 is a bold new solution for money managers

TAMP1 eliminates the need for software or additional personnel, while providing a fully managed solution for your data warehouse, portfolio accounting, customer relationship management, performance reporting and advisor/client websites.

TAMP1 offers



Streamlined data and processes,
integrated with external parties



Fully outsourced turnkey cloud
operations platform



Enterprise-level complete middle
office solution for small to
midsize firms



More and diverse product types
manageable on a single tightly
integrated platform



Easy-to-use, outsourced, fully
modular integrated cloud
platform



Significant cost and
speed-to-market advantages



Future-proof
technology platform

Find out more about TAMP1

Request a consultation

